Table 7: Factors Considered in Urban-Site Selection (continued)

Factors Considered	*Frequency of Mention*[1]	*Considered Very Important*[2]
Production and Site		
Room for expansion	82	77
Utility *service* (e.g., water and power)	77	83
Adequate energy *supplies*	71	83
Adequate infrastructure (e.g., roads and sewers)	68	65
Proximity to raw materials	43	45
Proximity to special support services	38	54
Proximity to components	34	39
Quality of Life		
Local attitude toward business	77	79
Housing	62	71
Effectiveness of local government	52	54
Stability of local government	52	46
Crime	50	65
Public transportation availability	46	45
Public education system	44	70
Urban amenities (e.g., restaurants, cultural facilities)	43	34
Climate	40	30
Recreational facilities	35	25
Other public services (e.g., garbage collection, fire protection)	31	24

[1]Multiple responses were permitted. The base for this column is 68 respondents.
[2]The numbers in this column are percentages of those that consider each factor, not a percentage of the total base.

previously, probably depend on the nature of the plant.

The respondents were also asked to indicate all the specific factors that they consider in their urban-site decisions. And they were asked to indicate whether each factor that they consider is very important or moderately important to their decision. Table 7 presents a list, ranked by frequency of mention within each major category, of factors considered. The second column shows the importance of each factor to those companies that consider it. It is clear, again, that the respondents mention the traditional economic factors more often than the noneconomic factors, with one exception—"local attitude toward business." (This factor is discussed in more detail under Government Regulations.)

Although in most cases the importance rate corresponds roughly to the frequency-of-mention rate, there are a few exceptions. "Cost of land," for instance, has a high frequency-of-mention rate and a relatively low importance rate.

In those cases where there is a relatively low frequency-of-mention rate and a higher importance rate—for example, proximity to major distributors, union considerations, proximity to special support services, and the public education system—it can be assumed that industry and company needs and priorities account for the differences. The significance of union considerations, for instance, varies by industry. Similarly, industry variations would account for the importance of proximity to major distributors and to special support services.

Obstacles to Urban Location

Certain distinct characteristics of urban areas are viewed by many manufacturers as obstacles to plant location (see Exhibit 1). In response to a question on some of the principal obstacles that companies have had to overcome because of the urban locations of their manufacturing facilities, the firms mention costs of such items as labor, land and taxes. Some of the other obstacles they note include security or crime problems; government regulations (particularly zoning) and red tape, which delay construction and start-up; lack of space for expansion; and labor factors such as availability, productivity and union considerations. One respondent commented that the principal obstacle is the "residual effect of generations of ingrained racism."

Some of the negative attributes of certain city locations are, of course, a matter of perception, and vary by city. Even some companies that have located successfully in urban areas, for instance, feel that there are definite problems in urban locations. As one respondent, a food processor commented: "Although we experienced a very positive attitude on the part of local government, I understand that this is a frequent obstacle. Vandalism is a problem, though we have had but one instance in 14 months."

Exhibit 1: Urban Advantages and Disadvantages[1]

URBAN ADVANTAGES	*URBAN DISADVANTAGES*
AGGLOMERATION and SCALE ECONOMIES (availability of support services)	
BUILDINGS Renovating existing structures is often cheaper than new construction; Tax credits may be available for renovations	BUILDINGS New manufacturing technology may require horizontal, rather than vertical, layout
	BUSINESS CLIMATE[2] Small businesses may not get enough attention; Cities often concentrate efforts on large manufacturers
ENERGY Adequate public utilities in place; Use of public transit eliminates expensive commuting and conserves energy	ENERGY May not be near cheap or plentiful energy source
INFRASTRUCTURE Already in place	INFRASTRUCTURE May be badly deteriorated
LABOR Large labor pool	LABOR Labor costs may be high; Productivity may be low; Professional and skilled workers may be unwilling to locate in, or commute to, central cities
	LAND[2] Often not available in large enough parcels; Very high costs
QUALITY OF LIFE Cultural amenities	QUALITY OF LIFE Inadequacy of public schools; Incidence or fear of crime; Congestion, discomfort and so forth
TAXES Special incentives and abatements often available	TAXES Usually higher in city
TRANSPORTATION OF GOODS Usually close to or on major modes (rail, air, water, etc.)	TRANSPORTATION OF GOODS Streets may be too congested for efficient trucking
TRANSPORTATION OR TRANSIT—EMPLOYEE Extensive, cheap public system may be available	TRANSPORTATION OR TRANSIT—EMPLOYEE Public system may be inefficient, unsafe; Parking may be unavailable or very expensive

[1]Some of these may vary by industry.

[2]Usually viewed as a disadvantage. However, in recent years, city officials have tried to overcome the problem.

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Crime—and the Fear of Crime—as a Site-Selection Factor

Crime and the fear of crime have become issues of increasing national concern—and they certainly have an impact on site-location decisions. During the 1970's, according to the FBI, there was a 50 percent increase in crimes reported to law enforcement agencies. And a recent report on crime found that "two out of every five Americans are afraid they will be murdered, raped, robbed or assaulted." One of the conclusions of this report, known popularly as "the Figgie Report," was that "as a result of our fear we may soon be living in armed fortresses—both at home and within ourselves."[12]

Crime is especially linked with cities, where it is often discussed in even more dramatic terms. Chief Justice Warren E. Burger, for instance, has described the "reign of terror" in American cities. He stated that: "For at least 10 years many of our national leaders, and those of other countries, have spoken of international terrorism but our rate of routine, day-by-day terrorism in almost any large city exceeds the casualties of all the reported 'international terrorists' in any given year."[13]

Crime has taken on more significance as a factor in site-selection decisions. (See box). One-half the respondents to this survey report that they seriously consider it in their urban-site decisions. Of these, almost two-thirds view it as a *very important factor.* Indeed, three out of ten executives respond that the crime situation at a particular urban site has been so severe that it caused them not to locate a plant there.

Almost one-half the respondents consider personal assault to be the category of crime most detrimental to locating plants in urban areas. Other executives choose vandalism (19 percent), arson (15 percent), burglary (13 percent), or robbery (5 percent) as the form of crime that is most likely to influence a decision.

Despite extensive public discussion of the inadequacy of municipal services, almost one-half the executives questioned believe that urban governments have budgeted adequate funds to provide for police protection in areas where they have manufacturing facilities. It may be that these companies have deliberately located where they believe the police protection to be adequate. At the same time, over one-third of the respondents are uncertain about local security, perhaps reflecting a lack of detailed knowledge at the corporate level about the conditions in branch-plant communities—especially if there have been no reported security problems.

Less surprising is the belief of almost one-half the executives that there are significant differences in the effectiveness of police forces in the various urban sites that they have considered. Again, almost one third are uncertain about this point. More than two out of five companies have met with the local police to discuss the law enforcement and security needs of their plant and employees when considering urban sites. And all but one of this group have found the police to be sensitive and responsive to their needs.

Of course, the actual crime rate and the *perception* of the crime rate often vary dramatically. Media coverage, regional viewpoints, historical image, and so on, influence an executive's opinion of a city and its crime situation. The respondents were asked to rank six cities, based on their perception or knowledge of them, in terms

CRIME TRENDS:
CITIES, SUBURBS AND RURAL AREAS

If one examines 1979 and 1980 FBI crime data to compare cities, suburbs and rural counties, the overall differences are not as great as might be expected. The tabulation below, for example, presents the percent change in the total crime index, violent crime, and property crime. Different rates of increase in violent crime are dramatic but the other two categories are not.

		Percent Change (1979-1980)		
Cities (by population)	*Number of Cities*	*Crime-Index Total*[3]	*Violent Crime*[4]	*Property Crime*[5]
1,000,000 and over	6	12.7%	13.1%	12.6%
500,000 to 999,999	17	8.2	10.9	7.8
250,000 to 499,999	33	11.8	13.7	11.5
Total of above . . .	56	11.1	12.7	10.9
Suburban Area[1] . .		8.4	10.4	8.2
Rural Counties[2] . .		11.0	3.8	11.7

[1]Includes suburban city and county law enforcement agencies within metropolitan areas. Excludes core cities.

[2]Includes state police agencies with no county breakdown.

[3]Includes murder and nonnegligent manslaughter, forcible rape, robbery, aggravated assault, burglary, larceny-theft, and motor-vehicle theft.

[4]Includes murder, forcible rape, robbery and aggravated assault.

[5]Includes burglary, larceny-theft, and motor-vehicle theft. Data are not included for the property crime of arson.

Source: U.S. Department of Justice, Federal Bureau of Investigation, *Uniform Crime Reports for the United States,* September 10, 1981, Table 10.

[12]Sponsored by Figgie International Inc., conducted by Research & Forecasts, Inc., *The Figgie Report Part II: The Corporate Response to Fear of Crime.* Willoughby, Ohio: Figgie International, 1980 p. 7.

[13]Warren E. Burger, "Report of the Chief Justice to the A.B.A.—1981." *American Bar Association Journal,* March, 1981, pp. 291-292.

Table 8: Perception of Crime Levels in Six Cities
("1" indicates the city with the highest level of crime, and "6" indicates the city with the lowest level)

	Actual Rank[1]	*Rank as Perceived by Respondents*[2]			
City	*Crime Rate*	*Crime Rate*[3]	*Risk to Plants*[4]	*Risk to Employees*[5]	*Risk of Crime by Employees*[6]
Miami	1	2	3	3	2
Phoenix	2	5	5	5	5
Detroit	3	3	1	1	3
New York	4	1	2	2	1
Los Angeles	5	4	4	4	4
Raleigh-Durham[7]	6	6	6	6	6

[1]*Uniform Crime Reports—Crime in the United States*, U.S. Department of Justice, Federal Bureau of Investigation, September 10, 1981.
[2]Respondents were asked to rank the cities for each category of crime or risk. The responses were weighted as follows: each rank was assigned a value—number 1 was assigned a value of 6 points, number 2 was assigned a value of 5 points, and so on. For each city, the number of responses for each rank was multiplied by the value of the rank, and the total was divided by the total number of responses for the city. The cities were then rank ordered.
[3]Criminal incidents per 100,000 population. New York's crime rate was perceived to be the highest overall (by weighting the responses) of the cities in this group. Interestingly, both Miami and Detroit, respectively, were cited more frequently than New York as the number-one crime cities.
[4]Risk that manufacturing plants will be the objects of crime (e.g., burglary, larceny, robbery).
[5]Risk that manufacturing plant employees will be the victims of crime (e.g., mugging, robbery, rape).
[6]Risk that employees will commit crimes against their employers (e.g., employee theft, embezzlement).
[7]Data for the cities of Raleigh and Durham were averaged.

of four categories of crime. The results are presented in Table 8.

In terms of crime rate, only Raleigh-Durham and Detroit were ranked by the respondents in the same order as the actual 1980 FBI ranking for this group of cities. The respondents obviously perceive New York, Miami and Detroit as cities with comparatively higher crime levels than Los Angeles, Phoenix or Raleigh-Durham. Their perception of the crime rates in Phoenix and New York, when compared to the actual FBI data, are the most dramatic reversals of the actual rankings.

A recent study by the U.S. Joint Economic Committee found that "the greatest difference between cities perceived to have the most favorable business climate and the least favorable business climate are in quality of life characteristics and not business related factors. . . ."[14] And, in relative terms, the study found that the crime level was the second most frequently mentioned characteristic influencing a firm to stay or expand at their present location.

The Figgie report found that "senior executives of *Fortune* 1,000 companies are taking a very active stand in combatting personal and corporate crime." More than three-fifths of these have burglar alarms and electric floodlighting; one-half have automatic light timers and closed circuit television; about two-fifths have electronic card identification systems; and, one-quarter have armed guards.

The report goes on to say: "The burgeoning crime rate and the executives' subsequent fear of crime certainly is one reason they are taking these and other precautions. In fact, 46 percent of senior executives say that crime in their corporate neighborhood has affected company security policies. . . . A few companies have even considered relocating because of the threat of crime."[15] Although this study focused on headquarters' precautions and policies, it is reasonable to assume that security at plant locations is also a major concern.

[14]Deborah Norelli Matz, *Central City Businesses—Plans and Problems*. U.S. Congress, Joint Economic Committee, Subcommittee on Fiscal and Intergovernmental Policy. Washington, D.C.: U.S. Government Printing Office, 1979, p. 24.

[15]Figgie International Inc., pp. 8-9.

Impact of Government Incentives, Assistance and Regulation

There has been a great deal of debate and much has been written on the effect of government incentives, assistance and regulation on plant location. Many observers point out that most government incentives, or at least the finanical incentives, do not have a major impact on most location decisions.

Government Incentives and Assistance

Incentives to businesses are advocated by some government officials as a means of encouraging expansion or new investment and, hopefully, of generating new jobs. The idea is that, ultimately, additional jobs lead to increased government revenue in the form of a larger tax base. However, some experts have contended that business incentives do not lead to new output or jobs, but that there are real costs associated with them in the form of foregone tax revenues that might have had valuable alternative uses. They also contend that some of these incentives, in effect, raise the price that state governments and certain private investors have to pay for borrowing capital from the private sector.[16]

The competition for new business among the states has accelerated in the past decade with a proliferation of business incentives. Economic development specialists increasingly express concern that these incentives are unnecessary and costly, and have very little direct impact on business-location decisions. In the competitive situation that has developed, however, every state wants to offer the same inducements that are available in most other states. The result is that the real differential between states is almost nil and, in the meantime, each state has lost revenue. Furthermore, some analysts argue, these incentives are often a "windfall" for a business that might have selected the same location regardless of government incentives.

Tax incentives are perhaps the most popular inducements offered by state and local governments. Proponents feel that taxes act as an obstacle to business investment and, therefore, should be abated or reduced in order to stimulate investment. They also argue that local tax incentives are viewed as an indicator of a city government's attitude toward business. Therefore, if incentives are not offered, business people might rate the city's business climate negatively.

A recent study by Michael Kieschnick for the Council of State Planning Agencies examines some of the justifications for, and evidence against, tax incentives. Some of the arguments he identifies against tax incentives are: The loss in state revenues is substantial; most firms only consider locating in the one state in which they finally locate; most firms are unaware of the tax incentives available in the state in which they make the new investment; and only a very small percentage of companies say that they would have located in another state if tax incentives had not been available.[17]

Most authors on this subject agree that assistance is not critical to the majority of location decisions, although its importance does seem to vary somewhat by region. However, government assistance and incentives are certainly taken advantage of if a company is aware of their existence. Yet, administrators at all levels of government indicate that few companies are aware of existing tax or nontax incentives.[18] In those cities in which significant use has been made of the incentives, it has largely been the result of efforts by knowledgeable developers (both public and private).

Among the firms responding to this Conference Board survey, government aid and tax incentives seem to be a more significant factor. More than three out of four respondents to The Conference Board's study indicate that they have obtained assistance from federal, state or local government agencies in their search for new plant sites in cities. Of these, 75 percent (37 companies) say that government incentives or inducements are important to their decisions to select sites within city boundaries.

This response may not actually contradict other researchers, who find that taxes and other government incentives are seldom a major factor in a company's site-selection decision. However, if a company, at the end of its site-selection procedures, is choosing between two otherwise equally attractive sites, these incentives may then make a difference. The Conference Board respondents may have been referring to this final stage. For some respondents, taxes and other incentives may have been decisive in a final choice between a suburban or an urban location.

Also, by providing a list of incentives from which to choose, the questionnaire to which they were responding may have made them more aware of the financial incentives. In any case, only 23 companies (about one-third of the respondents) say that government financial incentives

[16]Bennett Harrison and Sandra Kanter, "The Political Economy of States' Job-Creation Business Incentives." *Journal of the American Institute of Planners*, October, 1978.

[17]Michael Kieschnick, *Taxes and Growth—Business Incentives and Economic Development*. Studies in Development Policy, Vol. 11, Washington, D.C.: Council of State Planning Agencies, 1981, p. 83.

[18]The Conference Board has been asked by various government agencies to convene meetings so that information can be disseminated to the business community about the various incentive programs and so that the private sector will be encouraged to make greater use of the programs.

Table 9: Government Assistance or Incentive Ranked by Number of Mentions

Type of Assistance or Incentive	Incentives Made Available Number of Mentions	Relative Importance (by number of mentions) Very Important	Moderately Important or Not Important
Tax Considerations and Incentives			
Investment tax credits	28	12	16
Accelerated depreciation tax incentives	22	12	10
Property tax abatements, exemptions or moratoriums	20	11	9
Job-creation tax incentives or credits	18	4	14
Corporate income-tax exemptions, credits or moratoriums	13	8	5
Special tax incentives for locating in distressed areas	9	3	6
Tax incentives for research and development	7	—	7
Inventory taxes	1	1	—
Financial Assistance or Incentives			
State industrial financing programs (e.g., industrial revenue bonds, loans, loan guarantees, grants)	38	24	14
City or county industrial financing programs	21	15	6
Federal incentives, grants, loans and loan guarantees (e.g., Urban Development Action Grants)	14	6	8
Services for Industrial Development			
Expedition of the license and permit process	26	17	9
Zoning variances and changes	23	15	8
City or county site-selection assistance	22	10	12
Availability of publicly owned industrial park sites	21	5	16
State site-selection assistance (including feasibility studies and land assembly)	20	5	15
Utility and infrastructure improvements	20	18	2

Note: Base for this table is 52 respondents. Multiple responses were permitted.

are *very* important as a factor in their urban-site decisions (see Table 7).

The respondents to this survey were asked to indicate which incentives have been made available to them, and to indicate how important each one is in their location decision. The results are presented in Table 9.

State industrial financing programs are widely available to the companies surveyed, and are rated as "very important" by more than 60 percent of these firms. City or county industrial financing programs are less widely available (only 21 of 52 companies mention them), but three-quarters of these same companies find them to be very important. Similarly, less than one-half of the respondents have been offered zoning variances and changes, but almost two-thirds of those that have find them to be very important. In addition, utility and infrastructure improvements are very important to 90 percent of the companies that have had them made available.

Almost six out of ten executives say that government administrators and officials have been very attentive and helpful in response to their firms' requests for assistance during the site-selection process. Less than one out of ten characterize the government response as only slightly attentive or not attentive, and about a third describe it as moderately attentive.

A few executives volunteered a brief "package" of government incentives that they thought would enhance the location of manufacturing plants to cities. One small food processor, for instance, suggested a "combination of available public land at reasonable cost, plus a term of property-tax abatement, guaranteed assessment over 10 to 15 years, and tax-exempt industrial revenue bonds." Another small businessman mentioned a "package" of "investment tax credits, property-tax consideration, help from trade schools, transportation help, and various types of financial help as required."

Government Regulations

Although many business executives do not question the underlying goals of regulatory legislation safeguarding the public interest, there is business opposition to the costs of compliance and the perceived inefficiency of the regulatory system. There is some disagreement on the actual costs and benefits of government regulation, but there is agreement that these regulations have had at least some impact on business-location decisions. While

federal regulatory reform may provide relief and have some impact on business-location decisions, state and local government regulations often have a more direct and immediate effect on the actual location decision.

Federal Regulations—Effect on Small Business

While many business people feel that Federal Government regulation has been a deterrent to economic growth in general, it is small businesses that bear the heaviest relative burden—in spite of the relief and exemptions given them recently. This is especially damaging to economic growth in cities that rely so much on small businesses for new job creation.

Government regulations in the past stipulated the same compliance requirements for both small and large businesses. Small business was said to find itself at a competitive disadvantage because of the lack of efficiencies of scale in meeting regulatory requirements.

A recent White House report on the subject said that, in many instances, "regulatory controls have served to restrict new, small firms from entering markets, to limit price competition between existing companies, and to narrow the range of services available to the public. . . . The unique impact of economic regulation on small business results from the increased market rigidity imposed."[19]

The Federal Government has instituted a regulatory reform program in recent years, which is aimed at companies of all sizes, although it particularly recognizes the small-business sector's burden. The Regulatory Flexibility Act of 1980 (P.L. 96-354), for instance, provides a mechanism for undertaking the effort to assure that the growth and development of small business will not be impeded unnecessarily by existing regulations.

State Regulations

Some writers predict that there will be more, rather than less, regulation in the near future at the state level. For instance, a September, 1981, article in *Nation's Business* started with this warning:

> "The dream of American business—to get the federal government off its back—is materializing, but that dream may be turning into a nightmare because 50 other governments are clamoring to jump on board. Virtually every one of the 50 state legislatures has trained its sights on business, raising taxes, expanding regulation and even challenging the day-to-day decisions of company managers and owners. The trend began in the late 1970s, but the election of Ronald Reagan as President—heralding huge cutbacks in federal help to the states and severe reductions in the federal regulation of business—has triggered an onrush of business-related legislation in one state capital after another."[20]

Many business executives have expressed concern at having to deal with 50 state legislatures, 2,500 state regulatory agencies, and many special interest groups.

Some sources, however, are not as pessimistic. The fourth annual survey of state and local elected officials, published in the *Site Selection Handbook* 1981, found "some signs of change in state and local government that parallel the national trends, notably an increase in control over state budgets and some reduction in the regulatory burden on industry. These changes lead us to conclude that the climate for industrial expansion is becoming more favorable, not only in Washington, but in state and local capitals as well."[21]

The *Handbook* does state that "with the environmental movement in the 1980s, states have adopted a variety of development controls that in some cases have gone well beyond federal mandates and have delayed or aborted new plant construction." But when queried about recent or anticipated changes toward more or less restriction, "most of the respondents indicated no change in their regulations. Where changes have occurred or are anticipated, however, they show a trend toward less restrictive regulation by states and cities and more restrictive regulation by counties."

In an effort to attract new business investment, state and local governments have tried to ease or simplify their permit application procedures and to eliminate unnecessary regulation. "One-stop shopping systems"—state offices set up to help industry meet state regulatory standards—and the reduction of paperwork requirements, for instance, have become important state development tools in recent years.

Other state regulatory roles also have an impact on industrial growth. As an illustration, state banking regulations can affect the amount of capital available for business financing. Small, new businesses, in particular, may be affected by limited commercial loan supplies. States also have primary authority for land use, although some of this authority may be given to local government units.

Similarly, state regulation of the insurance industry has a direct impact on businesses, particularly small businesses in declining urban areas. In order to obtain a commerical loan, a firm must usually have comprehensive insurance coverage. However, insurance "redlining"

[19]U.S. President (Ronald Reagan), *The State of Small Business: A Report of the President.* (Transmitted to the Congress March, 1982.) Washington, D.C.: U.S. Government Printing Office, 1982, pp. 150-151.

[20]Vernon Louviere, "The States Go Marching In," *Nation's Business,* September, 1981, p. 48.

[21]Conway Publications Inc., *Site Selection Handbook.* Atlanta, Ga.: Conway Publications, Inc., 1981, pp. 372-384.

often prevents small businesses in inner-city neighborhoods from obtaining adequate insurance at a reasonable price.

Local Regulations

Government regulations at the local level are a particular problem for small business. As one writer, Stuart Butler, says: "In many cities these local regulations and permits are the last straw for the would-be businessman." Butler, as already mentioned, is a leading proponent of enterprise zones. While his remarks are focused on the advantages of these zones, his observations are also relevant to any discussion of urban economic development and apply to larger companies as well. "Although the streamlining of federal regulations may be important for the encouragement of new business in an Enterprise Zone, it is generally agreed that perhaps the greatest bureaucratic obstacles exist at the local level. Zoning, building codes, permits and other restrictions serve to push up the cost of new activity, or to prevent it."[22]

Business Climate

The business climate in a city is also related to local government regulation. Companies often perceive the cost and complexity of regulation at the local level to be an indication of the city government's attitude toward business. This atittude is believed to be a fundamental part of the local business climate. Business climate, however, is a qualitative rather than a quantitative factor and is, therefore, difficult to measure or define.

The Joint Economic Committee study cited previously found that "the perceived business climate of a city closely parallels the perceived quality of life in that city. Again, although the city government's attitude toward business was a major variable in the perception of business climate, the author wrote that it "is probably not conditioned by any one factor, but is a reflection of a combination of municipal functions and attitudes."[23]

A 1979 Conference Board study did not find that business (and social and political) climate was a *major* factor in local capital investment decisions. Rather, business climate was found to be more of a consideration "for the avoidance of a location which has problems than as an attraction to a community." Some executives were more concerned about "the precise way in which the unfavorable business climate is a reflection of high labor costs, taxes and cost of local government."[24]

[22]Stuart M. Butler, *Enterprise Zones—Greenlining the Inner Cities.* New York: Universe Books, 1981, p. 59.

[23]Matz, p. 3, 24.

[24]Lund, p. 11.

Most experts in the field would agree that a city government's attitude toward industrial development is often reflected by how quickly and sufficiently it responds to requests and by what it does to streamline the regulatory process and reduce time delays. Large city and state government bureaucracies have often stifled business decision making in the past. As one respondent to this Conference Board survey commented in response to a question on particularly onerous government regulations: "It is not so much the regulations as the length of time it takes to work through all the agencies."

In response to these problems, many city and state governments have created the post of ombudsman to expedite the regulatory process. Unfortunately, once a city has gained a reputation for a "bad" business climate, the perception is hard to change. (Of course, the reverse is also true.)

Impact of Government Regulations on Site Selection

In response to specific questions on the subject, more than three out of five executives report that certain government regulations have influenced their site- selection decisions. Of these, more than four out of five mention the influence of state regulations; three out of four mention local regulations; and one-half mention federal regulations.

Obviously, location decisions are more directly affected by state and local regulations. Indeed, one executive said: "Usually the major problems are at the state level and can be remedied only at that level."

The 42 respondents who have been influenced by government regulations were asked to indicate which regulations have adversely affected or inhibited their plant-location decisions and their responses are presented in Tables 10 and 11. These tables are organized by level of government and by type of regulation. The two most frequently mentioned regulations are environmental and

Table 10: Regulations that Have Adversely Affected or Inhibited Plant-Location Decisions

Type of Regulation	*Frequency of Mention*[1]
Environmental (including pollution control)	69%
Labor legislation	50
Zoning and building codes	33
Insurance requirements (fire and theft)	26
Safety (OSHA, etc.)	19
Equal employment opportunity and affirmative action	12

[1]Multiple responses were permitted.

labor, and, in both cases, it is the state regulations that are perceived to be most restrictive. The comments of one respondent sum up the negative feeling of many business people: "Much environmental legislation is cumbersome and heavily weighted against change of any type."

State labor legislation and regulation have had an adverse impact on plant-location decisions for two-fifths of the companies in this survey. However, the importance of labor unionization seems to vary by industry.

According to Schmenner, some labor-intensive industries, such as apparel and shoe manufacturing, seek low-wage locations. For them, labor *cost* is the primary consideration, and the degree of unionization is only incidental. Some capital-intensive industries, such as petroleum refining, also are not greatly concerned with employee unionization when choosing sites. Some capital-intensive companies, however, are concerned with the unionization of construction labor at various locations—work stoppages or exceptionally high construction costs would be a major consideration for many of these companies that have so much money invested in plant and equipment.

Schmenner found that industries that view unionization as a primary concern are between the extremes of capital intensiveness and labor intensiveness. In particular, lower technology companies in metal fabrication and equipment manufacturing are most concerned with nonunion locations. At least one reason for this concern is their need for flexible work rules to deal with technological advances in the products and the production process.

Table 11: Regulations that Have Adversely Affected or Inhibited Plant-Location Decisions, by Level of Government

Type of Regulation[1]	*Level of Government* Federal	State	Local
Environmental (including pollution control)	29%	43%	29%
Equal employment opportunity and affirmative action	7	7	—
Insurance requirements (fire and theft)	2	14	17
Labor legislation	7	41	17
Safety (OSHA, etc.)	12	2	5
Zoning and building codes	—	—	29
Other	—	5	7

[1]Multiple responses were permitted.

These companies tend to look first at sites in one of the "right-to-work" states, unless there are other overriding considerations such as raw material needs. As Schmenner points out, however sophisticated companies recognize that the strength of union organizations and union activity may vary within states, so that "right-to-work" laws are not usually the sole consideration. Still, as Schmenner remarks, "having a right-to-work law on the books is a powerful public policy for any state, one that clearly differentiates that state from others in the minds of many companies and one which shows up statistically in the results."[25]

[25]Schmenner, 1980, p. 352.

Conclusion

In reviewing the findings of this study, three salient points are expressed by the survey respondents. First, traditional economic factors are still predominant in new urban facility-location decisions. And, of these, labor considerations are cited most frequently as being of major importance.

Second, company executives emphasize several characteristics of urban locations that cause them concern: security or crime factors, taxes, government regulations and red tape, labor supply and unions. These characteristics, according to the respondents, have often been obstacles to locating in cities.

Third, regardless of the government incentives offered, most location decisions are based on such business considerations as long-term return on investment. It is not suprising that executives respond most to those government incentives that are likely to give them the maximum economic advantage.